

**LEGAL SERVICES CORPORATION  
OFFICE OF INSPECTOR GENERAL**

**REVIEW OF CASE STATISTICAL REPORTS**

**Grantee: Legal Services of North Texas  
Recipient No. 744030**

**Report No. 00-002  
December 1999**



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## EXECUTIVE SUMMARY

The 1998 Grant Activity Report submitted by Legal Services of North Texas (grantee) overstated the number of cases closed during the year by an estimated 3,964 cases (34 percent). The grantee reported 11,719 closed cases but only an estimated 7,755 cases qualified to be reported as closed during 1998. Open cases were overstated by an estimated 206 cases (8 percent). The grantee reported 2,596 cases, but only an estimated 2,390 cases qualified for reporting.

The grantee did not obtain the names of 2,947 clients who were provided services through the grantee's telephone "hotline." About 74 percent of the closed case overstatement was attributable to these telephone hotline cases. Most of these clients appeared to be eligible for LSC funded legal assistance, but their names were not obtained and recorded in case files or the case management system.

There were four other causes of the overstatement of closed cases. An estimated 407 cases where the applicant was denied service, and an estimated 306 cases for clients whose income exceeded LSC guidelines, were improperly coded and reported as closed cases. The grantee did not provide legal services in these cases. An estimated 203 cases were reported as closed in 1998 even though legal activity had ceased prior to 1998 and an estimated 101 cases were duplicates, i.e., the cases were reported more than once.

Most of the open case overstatement was attributable to an estimated 118 open cases that should have been closed because the client was no longer being provided legal services. In addition, an estimated 59 open cases were duplicates and an estimated 29 open cases involved ineligible over-income clients who did not receive legal services. When the grantee corrects the untimely case closure problem, the open case reporting problems will become immaterial.

Recommendations to correct the above problems are on page 8.

## **BACKGROUND**

Legal Services of North Texas is a nonprofit entity organized to provide legal services to indigent individuals who meet established eligibility guidelines. The grantee is headquartered in Dallas, Texas, and has a branch office in McKinney, Texas. Its staff includes approximately 30 attorneys, 5 paralegals, and 18 other staff who provide administrative support services. It maintains an extensive Private Attorney Involvement program throughout its six county service area, working closely with the county bar associations. The grantee received funding totaling approximately \$3.5 million in 1998, of which approximately \$2.2 million or 63 percent came from LSC.

The grantee prepares and submits an annual Grant Activity Report to LSC on key aspects of its workload. The report includes statistics for basic field services and Private Attorney Involvement programs financed with LSC funds, including the number of open and closed cases, types of cases, and the reasons for closing cases. For calendar year 1998, Legal Services of North Texas reported 11,719 closed cases and 2,596 open cases to LSC.

The grantee's annual closed case statistics are important workload indicators and performance measures. In contrast, the reported open cases are not a significant measure of a grantee's volume of work or productivity. Open cases are simply the cases that have not been closed as of the last day of the reporting period. These open cases will eventually be closed and reported in the Grant Activity Report. In fact, most will be reported as closed in the following year. Even though the number of open cases has limited utility as a productivity indicator, it is important that open cases be accurately reported. If the open case count is inaccurate, reporting of closed cases probably will be inaccurate. In addition, inaccurate reporting of open cases may indicate deficiencies in the underlying case management system used to produce the data for the Grant Activity Report. These deficiencies could result in the less effective management of legal services delivery.

In 1998, the grantee kept track of client cases with Kemp's Case Management System, an automated management information system. A new case management system, "Practice Manager," was being implemented at the time of our visit.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

The primary objective of this review was to determine whether the grantee provided LSC with accurate case statistical data in its 1998 Grant Activity Report.

The Office of Inspector General performed the audit fieldwork from July 19-30, 1999 at the grantee's main office in Dallas and at the branch office in McKinney. The OIG examined the grant proposal submitted to LSC by Legal Services of North Texas for 1998 and the grantee's 1998 Grant Activity Report. The OIG reviewed client intake practices, case processing and closing procedures, and selected grantee written policies and procedures. During the on-site visit, the OIG interviewed and collected information from the grantee's president/CEO, managing attorneys, staff attorneys, paralegals, intake staff, and other support staff.

The OIG also obtained and reviewed the data in the grantee's automated case management system to determine if the case statistical data reported to LSC in the Grant Activity Report was consistent with information in client case files and in compliance with applicable LSC reporting requirements.

The OIG generated a random sample of 196 closed and open client cases for review. The sample cases were selected from the grantee's case management system. Actual overstatements of cases identified by the OIG were eliminated from the universe before making our projections to preclude double counting of errors. The sample provides 90 percent confidence that the error rate for closed cases was between 7 and 18 percent. The most probable error rate for closed cases was 12 percent. The sample provides 90 percent confidence that the error rate for open cases was between 5 and 14 percent. The most probable error rate for open cases was 8 percent.

We performed this audit in accordance with *Government Auditing Standards* (1994 revision) established by the Comptroller General of the United States and under authority of the Inspector General Act of 1978, as amended and Public Law 105-277, incorporating by reference Public Law 104-134, §509(g).

## **RESULTS OF AUDIT**

### **CASE SERVICE REPORTING**

The grantee's 1998 Grant Activity Report overstated the number of cases closed during the year and the number remaining open at year-end. Closed cases were overstated primarily because the grantee incorrectly reported cases for which the client's identity had not been determined. Additionally, rejected cases and other cases involving ineligible clients were incorrectly reported as closed. Overstatements also occurred because some cases were reported as closed in 1998 even though legal activity ceased in prior years. Open cases were overstated because some cases reported as open at the end of 1998 should have been closed and some cases were reported more than once.

#### **Case Service Reporting Requirements**

LSC requires recipients to submit an annual Grant Activity Report summarizing the previous year's legal services activity wholly or partially supported with LSC funds. The information in the report includes total number of cases worked on, types of legal issues, number of open and closed cases, and the reasons cases were closed. The report also includes information on Private Attorney Involvement cases. The Case Service Reporting Handbook and Grant Activity Report instructions provide reporting criteria for cases. Reported cases must be for eligible clients and within the recipient's priorities. Eligibility is based on income and citizenship determinations and must be documented.

#### **LSC Uses of Grant Activity Report**

LSC uses grantee case statistical information to support the Corporation's annual budget request and as a performance measure in the performance plan submitted in response to the Government Performance and Results Act. The compilation of program-wide data on open and closed cases is an integral part of the management oversight process and also allows LSC management to keep its Board of Directors and the Congress informed of significant program activities and performance. In response to the annual reporting requirement, the grantee submitted the following information to LSC:

Type of Legal Problem	Closed	Open
Consumer/Finance	962	158
Education	34	2
Employment	310	10
Family	7,209	1,890
Juvenile	145	35
Health	46	12
Housing	1,452	203
Income Maintenance	536	143
Individual Rights	274	7
Miscellaneous	751	136
<b>TOTALS</b>	<b><u>11,719</u></b>	<b><u>2,596</u></b>

### Examination of Reported Cases

The grantee should have reported 7,755 closed cases and 2,390 open cases in its 1998 Grant Activity Report. The following chart shows the number of overstated cases by error type.

REASON FOR OVERSTATEMENT	CLOSED
Client Not Identified	2,947
Cases rejected but reported	407
Ineligible over income client	306
Untimely Closing	203
Duplicate Cases	101
<b>TOTAL CLOSED</b>	<b><u>3,964</u></b>
	<b>OPEN</b>
Untimely Closing	118
Duplicate Cases	59
Ineligible over income client	29
<b>TOTAL OPEN</b>	<b><u>206</u></b>

## CLOSED CASES

### Clients Not Identified

The grantee did not obtain and record clients' names in the case files or case management system for 2,947 reported cases handled through the telephone hotline service. For most cases, the client's address, income, citizenship status, and legal problem code were obtained and recorded in the case files and case management system. With some exceptions, the clients appeared to be eligible for LSC funded legal assistance. However, controls were not in place to ensure that the reported cases did not include multiple calls from the same individual requesting assistance for the same problem.

The grantee disagreed with this finding and asserted that the cases were properly reported. The grantee stated that the LSC Act, implementing regulations and LSC policy directives do not require that a client's name be obtained and documented in order to count a case as a CSR activity.

According to the grantee, the hotline was to be discontinued in September 1999. A new case management system was expected to be operational at that time and the grantee planned to adopt a telephone intake system. With the new system, client names will be obtained and recorded.

A client name is a prerequisite for a reportable case. LSC guidance requires a client name for an activity to be counted as a case and that services provided to unidentified clients should not be reported as cases. We concluded that the grantee should not have reported the 2,947 cases that did not have client names.

### Rejected Applicants

Documentation in four sample case files disclosed that the applicants had been rejected and were not provided legal services. However, the grantee opened and closed cases for these rejected applicants. Based on these errors, the Grant Activity Report included an estimated 407 cases for applicants who had been rejected and not provided legal services. These "cases" were improperly coded and reported as closed cases in the category "other."

The grantee discovered the erroneous reporting of rejected applicants during a review of the data prior to submission of the 1998 Grant Activity Report and during the LSC mandated self-inspection of 1998 CSR data. The grantee said that rejected applicants will no longer be reported as cases.

### Ineligible Clients

The documentation in three sample closed case files indicated the clients were not income eligible for legal assistance and were not provided legal services. These cases were coded as referrals or client withdrawals and reported as closed cases. Grantee management confirmed that the three cases should not have been reported. Based on these errors, the Grant Activity Report included an estimated 306 cases for ineligible applicants whose income exceeded LSC limits and who, therefore, were not provided legal services.

### Untimely Closure of Cases

The documentation in two sample case files indicated that all legal work on the cases was completed prior to 1998. Grantee management confirmed that the two cases should have been closed in earlier years. Based on these errors, an estimated 203 cases were reported as closed in 1998 even though legal activity on the cases had ceased before 1998.

### Duplicate Cases

One case in our sample was closed and reported as a referral to the Private Attorney component. The same case was closed and reported when the private attorney completed work on the case. Grantee management confirmed that the sample case should not have been reported and told us that the problem was the result of an oversight. Based on these errors, an estimated 101 cases, reported as closed in 1998, were duplicate cases, i.e., cases reported as closed more than once.

## OPEN CASES

The grantee's 1998 Grant Activity Report overstated open cases by an estimated 206 cases, or 8 percent. The estimate was based on finding seven errors in a sample of 85 open case files. The errors resulted from the untimely closure of cases, duplicate cases, and cases for ineligible clients. Specifically:

- **Untimely case closure** – Four sample cases should have been closed because legal activity on the cases ceased during the year. Based on these errors, an estimated 118 reported open cases should have been closed.
- **Duplicate Cases** – Two sample cases were duplicates of cases already reported by the grantee. The errors occurred because duplicate input forms were prepared for the cases. Based on these errors, an estimated 59 duplicate open cases were reported.

- **Ineligible Clients** – One sample case had been opened for a client whose income exceeded LSC limits. At the time of the audit, no legal services had been provided to the client. Based on this error, an estimated 29 cases for ineligible clients were reported.

Grantee management reviewed the seven cases with OIG staff and confirmed that the cases should not have been reported.

## CONCLUSIONS

The grantee needs to improve the accuracy of its case statistics to ensure that the types of errors in the 1998 Grant Activity Report are not repeated in future reports. The major cause of reporting errors, the cases without client names, should be corrected with the proper implementation of the new case management system. The grantee must ensure that the cases without client names are not reported in the 1999 Grant Activity Report. The other errors could be eliminated with additional internal control procedures over the acceptance of cases and continuing management oversight.

## RECOMMENDATIONS

The OIG recommends that grantee management:

1. Discontinue the practice of reporting "cases" where clients' names are not obtained and documented in the case files. The 1999 Grant Activity Report must not report these as "cases."
2. Implement internal control procedures to ensure that cases are not established and reported for rejected clients and ineligible clients.
3. Implement internal control procedures to ensure that cases are promptly closed when legal services are completed.
4. Implement supervisory review procedures providing for the periodic review of closed and open cases to ensure only appropriate cases are included in the case management system.

## **SUMMARY OF GRANTEE COMMENTS AND OIG DECISIONS**

### **Summary of Grantee's Comments**

The grantee did not agree that its 1998 CSR report overstated closed and open cases. The grantee stated that the OIG may not have used the appropriate criteria to determine reportable cases. According to the grantee, the criteria the OIG used to determine LSC eligibility went beyond the LSC Act, implementing regulations, the CSR handbooks and program letters because it held grantees responsible for knowledge of all directives and protocols LSC articulated to individual recipients. The grantee stated that it followed the established criteria and guidelines in reporting cases, and furthermore, it was not appropriate for LSC and the OIG to suggest that the grantee failed to follow CSR manuals and was in noncompliance with requirements that did not exist at the time the reports were required.

The grantee's comments are in Appendix II.

### **OIG's Decision**

Auditors primarily used the 1993 CSR Handbook for criteria in evaluating cases. Two sections of the 1999 edition of the CSR Handbook were applicable to 1998 data: "Timely Closing of Cases" and "Management Review of Cases Service Reports." These sections were used where applicable. The OIG also applied these criteria: (1) report cases once; (2) document the client's name; and, (3) document the client's income and citizenship eligibility.

LSC management holds that client names are a prerequisite for reporting cases for CSR purposes.

The grantee's comments did not provide any basis for modifying the audit report. No evidence was provided to support the grantee's assertion that the OIG's findings were contrary to guidelines in effect for 1998 reporting.

## **GRANTEE'S SPECIFIC COMMENTS AND OIG DECISIONS**

### **Grantee Comments: Clients' Not Identified**

The grantee stated that its telephone hotline policy was to determine eligibility in accordance with LSC regulations, CSR Handbooks (1993 and 1999 editions) and

record the client's address and other identifying client information but not the client's name.

The grantee stated that a client's name is not a prerequisite for a reportable case and that LSC has never required grantees to obtain client names. Furthermore, LSC never advised the grantee that clients' names were required for telephone hotline cases to be considered LSC eligible cases. The grantee cited applicable definitions and regulations and concluded that neither the 1993 nor the 1999 CSR Handbook required the recording of a client's name as a prerequisite for a reportable case. The grantee stated that, in the absence of a requirement to obtain client names, it did not incorrectly report cases for which the client's identity had not been determined.

### **OIG Decision**

LSC requires a client name as a prerequisite for reporting a case. In a December 2, 1999 letter responding to Legal Services of North Texas, LSC management informed the grantee that the OIG position was correct regarding the exclusion of those cases that lack a name. The grantee's comments indicated that client names were not obtained for telephone hotline cases. Therefore, the audit report correctly states that 2,947 cases without names should not have been reported.

### **Grantee Comments: Cases Reported More Than Once**

The grantee's comments state that the criteria applicable for 1998 reporting did not require the elimination of duplicate cases from the 1998 Grant Activity Report. To support its position, the grantee cited LSC Program Letter 98-8; Center for Law and Social Policy "Regulatory Policy Memorandum No. 99-1," and LSC document "Frequently Asked CSR Questions and Answers." The grantee asserted that since LSC did not require the elimination of all duplicates from the 1998 case statistical data, the OIG should not substitute its judgment and report duplicate cases as errors.

The grantee also asserted that it was not accurate to state adequate controls were not in place to ensure reported cases without clients' names did not include duplicates. The grantee stated that hotline data could be generated to identify duplicate client information and problem codes. However, the grantee asserted that the single recording and reporting of cases was not required in 1998 CSR reports to LSC.

## **OIG Decision**

The grantee's response did not dispute that the OIG correctly determined that the Grant Activity Report included duplicate cases. The grantee's justification for reporting duplicate cases was that LSC did not prohibit reporting them.

Program letter 98-8 stated that "...the accuracy and reliability of case statistics ... is essential." Accurate statistics cannot be compiled when the same case is reported more than once. In addition, LSC management has recently restated its position that duplicate cases should not be reported. This policy was stated to Legal Services of North Texas in a letter, dated December 2, 1999, in which LSC management informed the grantee that the OIG position was correct regarding the exclusion of duplicate cases. It is clear that LSC management's intent was that duplicate cases should be eliminated except in cases where doing so would be a substantial burden for the grantee.

The grantee's comments did not result in report changes.

## **Grantee Comments: Identification of Minor Errors**

The grantee asserted that identifying one or two minor errors in a specific category and then projecting these errors was extremely misleading. The grantee stated that the errors identified as duplicates and over income clients did not indicate systematic problems or demonstrate a lack of internal controls.

## **OIG Decision**

The primary objective of this audit was to determine whether the grantee provided LSC with accurate case statistical data in its 1998 Grant Activity Report. Statistically valid methods were used to formulate conclusions regarding the results of our review.

The grantee's comments did not result in any report changes.

## **Grantee Comments On Recommendations**

The grantee submitted documentation showing that recommendations 1 through 4 had been implemented. As to recommendation 5, the grantee stated that it would resubmit its 1998 Grant Activity Report without the hotline cases provided that LSC provides written confirmation that the grantee's hotline cases should not be submitted in any revised report consistent with the OIG's recommendations.

## **OIG Decision**

Recommendation 5 has been deleted. The calendar year is almost over and little is to be gained by correcting the 1998 Grant Activity Report. The grantee could better use its resources to ensure that the 1999 Grant Activity Report is accurate.

The other recommendations are considered resolved and closed, based on the information the grantee provided.